



IN THE FOURTH SESSION OF THE EIGHTH PARLIAMENT  
OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

ON THE

REPORT OF THE AUDITOR-GENERAL

ON THE

PUBLIC ACCOUNTS OF GHANA

(CONSOLIDATED FUND)

FOR THE

YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018

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IN THE FIRST SESSION OF THE EIGHT PARLIAMENT OF THE FOURTH REPUBLIC OF  
GHANA

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE  
AUDITOR GENERAL ON THE PUBLIC ACCOUNTS OF GHANA (CONSOLIDATED  
FUND) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018

## 1.0 INTRODUCTION

The Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund) for the year ended 31<sup>st</sup> December, 2018 was presented to Parliament on Tuesday, 23<sup>rd</sup> July, 2019 in accordance with article 187(2) and (5) of the 1992 Constitution of the Republic of Ghana and section 23(1) of the Audit Service Act, 2000 (Act 584)

Pursuant to Order 165(2) of the Standing Orders of the Parliament of Ghana, the RT. Hon Speaker referred the Report to the Public Accounts Committee for examination and report.

## 2.0 PROCEDURE

The Committee met and examined the Report with the Hon. Deputy Minister for Finance Ms. Abena Osei-Asare, and the Controller and Accountant-General. Also present at the Committee's sittings were officials from the under-listed institutions:

1. Ministry of Finance.
2. Controller and Accountant General's Department.

The Assistant Auditor-General, Mr. Christian Adjin Doku and a technical team from the Audit Service were also present at the Committee's sittings to assist in the considerations of the Reports.

The witnesses who appeared before the Committee subscribed to the Oath of a Witness and answered questions relating to the issues/queries raised by the Auditor-General in his Report and on issues of general public interest.

### 3.0 ACKNOWLEDGEMENT

The Committee is grateful to all officials who were present at the Committee's sittings to assist in its deliberations. The Committee also expresses its appreciation to the Assist Auditor-General and his technical team for their immense assistance to the Committee during the examination of the Report.

### 4.0 REFERENCE DOCUMENT

The Committee referred to the following documents during its Deliberations:

- a. The 1992 Constitution of the Republic of Ghana.
- b. The Standing Orders of the Parliament of Ghana.
- c. The Financial Administration Regulation, 2004 (L.I. 1802).
- d. The Audit Service Act, 2000 (Act 584).
- e. The Public Procurement Act 2003 (Act 663)
- f. The Internal Audit Agency Act, 2000
- g. The Public Financial Management Act 2016 (Act 921)

### 5.0 BACKGROUND

**Section 81 (1)** of the Public Financial Management Act 2016 (Act 921) provides that the Controller and Accountant-general shall within three months after the end of each financial year prepare and submit the following consolidated accounts including the accounts specified in the schedule; to the Minister and the Auditor-General: the Consolidated Annual accounts of Government, including the Accounts of the Contingency Fund and Accounts of the Petroleum Funds.

In accordance with this provision, the Controller and Accountant General submitted the Public Accounts of Ghana (Consolidated Fund) for the year ended 31<sup>st</sup> December 2018 to the Auditor-General for audit.

**Section 15** of the Audit Service Act, 2000 (Act 584) also requires that the Auditor-General on receipt of the Public Accounts must examine and certify whether in his opinion, the statements present fairly, the financial information

on the Public Accounts of Ghana and whether the statements were prepared in accordance with accounting policies of Government and the Generally Accepted Accounting Principles.

In the performance of the above functions, the Auditor-General observed some inaccuracies and included his findings in his report for the consideration of the House. The Report also contains his opinion on the financial statements.

#### **6.0 PURPOSE AND OBJECTIVE OF THE AUDIT**

The purpose of the audit was for the Auditor-General to examine the Public Accounts of Ghana and to express an opinion on whether the statements accurately present a true and fair view of the financial information on the Government of Ghana for the year ended 31<sup>st</sup> December 2018, whether the records are consistent with statements of the preceding year, and whether the Public Accounts of Ghana so presented are in accordance with accounting guidelines and procedures of the Government of Ghana, as well as the generally accepted international accounting practices or Principles.

#### **7.0 SCOPE OF THE AUDIT**

The Audit covered transactions and events in the 2018 financial year, taking into consideration all relevant provisions of the 1992 Constitution and other appropriate enactments, guidelines on statutory funds such as the Public Financial Management Act (PFMA), 2016 (Act 921) and the enabling enactments on statutory funds and other regulations.

Furthermore, the Audit assessment focused on the processes followed by the Controller and Accountant General's Department in capturing transactions and events in the preparation of the Public Accounts of Ghana (Consolidated Fund). It also covered the review of applications controls and data integrity of the GIFMIS system.

8.0 SUMMARY OF THE FINANCIAL STATEMENTS ON THE CONSOLIDATED FUND FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

8.1 Summary of Revenue and Expenditure (Budget out-turn)

During the 2018 financial year, Government of Ghana's total revenue generated was GH¢39,937million against its projected budgeted to generate revenue to the amount of GH¢48, 805million a short fall of 8,868 million, or 22% in short fall. Nevertheless the revenue performance in 2018 was an improvement of 30% over the 2017 revenue outcomes.

Total estimates for expenditure for the year ended 2018 was budgeted as GH¢58,974 million. There was however an Actual expenditure out-turn of GH¢69,496 million an increase expenditure of 117.84% of the budgeted provision. (Ref: Report on consolidated fund, 2018, page 7 to 9 of Statements of Revenue and expenditure)

8.2 Revenue performance

Notably the sources of revenue were from Direct taxes, Indirect Taxes, Grants and Non-Tax Revenue. Total receipts amounted to GH¢39,936,980,445.00 Million as against an estimate of GH¢48,805,208,415 resulting in a shortfall of 8,868 million or 22% shortfall of expected revenue in 2018.

Table 1 Summary of Revenue- 2018

Revenue items	2018 Budget (GH ¢) A (million)	2018 Actual (GH ¢) B (million)	2017 Actual (GH ¢) D (million)	Variance (b-d) (GH ¢) C(%)
Direct Tax	16,279	14,709	-1,570	-10.8%
Indirect Tax	23,892	17,782	-6,110	-34.4%
Grant	587	1,136	549	48.3%
Non-Tax Revenue	8,047	6,310	-1,737	-27.5%
<b>Total</b>	<b>48,805</b>	<b>39,937</b>	<b>-8,868</b>	<b>-22.21%</b>

Source: (Annual Report and Financial Statements) Statement of revenue and Expenditure (Consolidated fund) 2017 Pg. 7

Total revenue receipts for the year 2018 was GH¢39,937million given a negative variance of GH¢8,868 million or 22% less than projected revenue of GH¢48,805million. It is significant to state that the revenue performance in 2018 was however an improvement of 30% over the 2017 revenue outcomes.

### 8.3 Expenditure

Actual expenditure for the year ended 31<sup>st</sup> December 2018 amounted to GH¢69,497 million. This excluded provision for doubtful debts which was provided for in 2017 amounting to GH¢389,489,435 as detailed in tables 2.

**Table 2 2018 Budgeted Expenditure versus. Actual Expenditure**

Expenditure item A	2018 Estimate GH¢ MILLION B	2018 actual GH¢ MILLION C	Variance GH¢ MILLION D (B-C)	2017 actual GH¢ MILLION F
Compensation	20,429	20,613	-184	17,907,910,609
Goods and Services	12,592	8,586	4,006	4,678,630,970
Interest	14,910	19,231	-4,321	13,431,655,806
Government subsidies	172	426	-254	538,133,004
Exchange Difference	0	6,104	-6,104	6,239,110,507
Social Benefits	1,877	57	1,821	7,372,817
Other expenses	5,437	2,118	3,319	23,564,579,034
Foreign Financed Investments	3,557	1,336	2,221	4,488,658,720
Consumption of Fixed Assets	0	775	-775	606,884,679
Grants to SOEs (bail out)	0	10,251	-10251	389,489,435
<b>Total</b>	<b>58,974</b>	<b>69,497</b>	<b>-10,522</b>	<b>50,251,936,147</b>

Ref: (Annual Report and Financial Statements) Statement of revenue and Expenditure page 9 of AGs'Report, 2018.)

Table 3 Statutory Payments

Statutory Item	2018 GH¢	2017 GH¢	Difference GH¢
GET Fund	1,399,307,862	587,683,447	811,624,415
DAC Fund	1,599,920,150	989,171,626	610,748,324
Petroleum, Road & energy Fund	696,982,509	929,025,692	-232,043,183
Energy Sector Levy	1,421,865,086	1,192,237,688	229,627,398
NHIL	1,473,283,188	1,205,375,299	267,907,889
GIF	0	75,505,726	-75,505,726
<b>Total</b>	<b>6,591,358,795</b>	<b>4,978,999,679</b>	<b>1,612,359,116</b>

Ref: Consolidated fund Report 2018 (Annual Report and Financial Statements) Page 35, note 21.

#### 8.4 Balance Sheet (Assets and Liabilities)

##### 8.4.1 Assets

Assets are made up of the following:-

**Cash balances:** from Treasury main accounts, MDA Sub-CF Accounts, Regional Sub-CF account, MMDA Sub-CF, Nontax Revenue Accounts, Tax revenue Accounts, Special Accounts and Domestic Commercial bank accounts which are all maintained as part of the Consolidated Fund. Total Cash balance at year end 31<sup>st</sup> December 2018 was **GH¢7,983,232,998** against **GH¢6,490,635,632** for 2017 (See page 36 note 26 of Notes of Accounts)

**Advances or current receivables** are short term advances which are payable within a year which include; Special Advances made to government employees, such as vehicles advances, Special advances, salary advances, and advances to MDAs for the operation of revolving funds otherwise known as Departmental revolving fund, staff advance and other receivables These

advances amounted to GH¢1, 463575,826 at the end of the year 2018 against GH¢871,974,542 in 2017. (See page 37 note 27 of Notes of Accounts)

**Non-current Receivables or Loans (Receivables)** are long term receivables from Government institutions, such as Statutory Boards and Corporations, Companies and other foreign governments/ agencies, Non Project Type (NPT) companies and miscellaneous. The total non-current receivables or loan balance as at 31<sup>st</sup> December 2018 stood at **GH¢11,997,117,639** as against total a loan receivable of **GH¢2,202,959,404** for the year ended 31<sup>st</sup> December 2017

**Equity Investments include;**

Trust funds amounting to	<b>GH¢7, 172,654</b>
International Agencies, amounting to	<b>GH¢ 4,983,761</b>
Companies and Public Corporations amounting to	<b>GH¢ 9,562,418,795</b>
and Decentralised investment	<b>GH¢20,461,888</b>

These are funds held in trust by Government which amounted to **GH¢9,595,037,098** as at 31<sup>st</sup> December 2018 against **GH¢10,316,161,058** in 2017.

During the year under review Assets and Liabilities were summaries as follows:

**Table 4 Summary of Assets in Balance sheet**

Current/Non-Current Assets	2018 GH¢	2017 GH¢	Variance GH¢
Cash	7,983,232,998	6,490,635,632	1,492,597,366
Receivables (Advances)	1,463,526,478	13,768,063	1,449,758,415
Prepayments	95,173,814	2,510,060	92,663,754
Receivables	11,509,623,711	1,718,423,713	9,791,199,998
Equity Investment	9,589,887,782	10,308,053,507	-718,165,725
Plants & Equipment	10,802,471,941	5,992,934,337	4,809,537,604



Land	13,565,702,390		13,565,702,390
Work in Progress	3,657,799,263	2,189,414,290	1,468,384,973
Intangible Assets	117,150,374	32,009,946	85,140,428
<b>Total Assets</b>	<b>58,784,568,752</b>	<b>26,747,739,547</b>	<b>32,036,829,205</b>

Ref: Report 2018 (Annual Report and Financial Statements) Balance Sheet Page 26, note 26-34.

#### 8.4.2 Liabilities

Table 5 Summary of Current and Non-current Liabilities as in Balance sheet

Current/ Liabilities	Non-Current	2018 GH¢	2017 GH¢	Variance GH¢
Payables		6,059,203,824	2,741,446,699	3,317,757,125
Trust Moneys		5,376,096,700	3,624,820,104	1,751,276,596
Domestic Loans		86,503,691,575	66,413,143,176	20,090,548,399
External Loans		86,168,971,817	74,047,855,953	12,121,115,864
<b>Total</b>		<b>184,107,963,915</b>	<b>146,827,265,932</b>	<b>37,280,697,983</b>

Ref: Report 2018 (Annual Report and Financial Statements) Balance Sheet Page 26, note 35-38

**Note:** The Total domestic Loans of GH¢86,503,691,575 is made up of short term domestic loan amounting to GH¢8,230,132,669 and long term domestic loans amounting to GH¢78,273,558,906 for the year ended 31<sup>st</sup> December 2018. Similarly the aggregate amount GH¢66,413,143,176 domestic loans include current and non-current domestic loans as at year end 2017.

#### 8.4.3 2018 Total Net Liability / Equity or Net Worth.

As at year end 31<sup>st</sup> December 2018 Government of Ghana total net Liabilities stood at GH¢ (125, 5234, 395,164) as against GH¢ (120,069,560,991) for the year ended 31<sup>st</sup> December 2017.

## **9.0 SUMMARY OF SOME OF THE AUDIT FINDINGS**

- i. Discrepancies in Tax revenue Reported
- ii. Treasury Single Account and Cash Reported in the Public Financial Statement
- iii. Discrepancies in reporting GoG Equity investment
- iv. Inconsistencies in Foreign Transaction
- v. Inconsistencies in MDAs Expenditure and Expenditure reported in the Public Fund Accounts
- vi. Non-disclosure of guarantee loans and Contingent Liabilities in the Public Fund Accounts
- vii. Failure to ensure transfer into NHIF by SSNIT
- viii. Lack of Investment policy for Sinking fund
- ix. Inaccurate disclosure of GOG equity Investment among others

## **9.0 OBSERVATIONS AND RECOMMENDATIONS**

The committee after careful deliberations on the report with the relevant Institutions, noted that most of the issues raised in the report were resolved and cleared by auditors. Only two queries remained unresolved which the Committee observed and made recommendations as follows.

### **9.1 Inconsistencies in MDAs expenditure and the expenditure reported in the Public Fund Accounts.**

The Committee noted that Section 81 of the Public Financial Management Act Act 921 of 2016 enjoins the CAG to prepare and submit to the Auditor General the Public Funds Accounts of Government of Ghana.

Notwithstanding, the Auditor General reported that in its reconciliation of eleven (11) sampled audited MDAs Financial statements the Public Accounts revealed some inconsistencies in respect of compensation, goods and services, Social Benefits and other expenditures as reported as against the sampled MDA reports.

In a response to the above, the Controller and Accountants General informed the Committee that they were working with MDAs to ensure adequate reporting. Further to this he explained that officials of MDAs are currently undergoing training in reconciliation of public accounts in accordance with accounting principles.

He stated that the Ministry of Finance is updating the Auditor-General as and when they concluded with all MDAs accounts.

Recommendation:

The Committee recommends to the Ministry of Finance to recruit professionals to handle such Accounts in order that reconciliation will not suffer any discrepancies.

## **9.2 Payments of Salaries to Ghana Embassies in 2018-US\$ 27,304,081.51 and €19,376,245.51**

The Audit revealed that a review of Employees Compensation received by the Ghana Mission abroad was in excess of US\$ 27,304,081.51 and €19,376,245.51 of their actual requirements of **\$19,487,837.80 and €19,353,740.95** over the financial year. The disclosure of the compensation of employees was therefore overstated by GH¢230,559,894.50 in the Public Accounts for the year ended 31<sup>st</sup> December 2018.

In response to the issue, the Controller and Accountant –General informed the Committee that they usually send remittance of Subvention to the missions abroad in accordance with their approved cash flow plans and in furtherance to PFM Act 2016(Act 921) Section 7(3).

He reiterated that the C&AG normally depend much on their returns on the request from Foreign Affairs as well as the Compensation Bill. He conceded that in most cases they have relied on only home based staff neglecting local staff.

He informed the Committee that His outfit has in a meeting with the Ministry of Foreign Affairs agreed for them to submit all compensation related for all diplomats and staff to the Accountant General Department for reconciliation.

Recommendation

The Committee recommends that all three institutions including the Ministry of Foreign Affairs, the Finance Ministry and C&AGD should meet and reconcile their figures and report back in subsequent reports of the Auditor General.

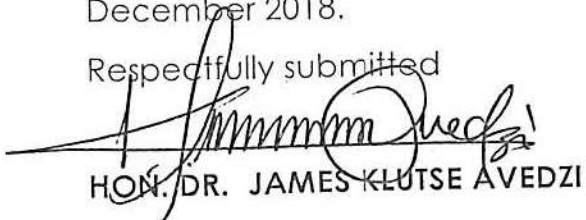
## CONCLUSION

### Opinion of the Auditor General

In the opinion of the Auditor-General, except for his observations captured in Paragraph 9.0 under summary of Audit Findings, the accounts present fairly, in all material respects, the financial position of the Government of Ghana as at 31<sup>st</sup> December 2018; and that the results of its operations for the year ended were in accordance with the stated accounting policies of the Government of Ghana.

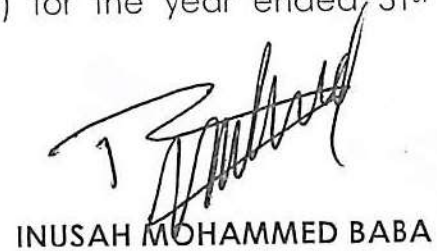
The Committee therefore recommends to the House to adopt the Committee's recommendations on the Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund) for the year ended 31<sup>st</sup> December 2018.

Respectfully submitted



HON. DR. JAMES KLUTSE AVEDZI

Chairman, Public Accounts Committee



INUSAH MOHAMMED BABA

Clerk to the Committee